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SIPDIS

DEPARTMENT FOR E, EAP/MTS, EEB/TRA, EEB/CBA
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TAGS: [ECON](#) [ETRD](#) [EAIR](#) [MCC](#) [PGOV](#) [PREL](#) [BEXP](#) [PARM](#) [ETTC](#) [ID](#)

SUBJECT: EXPANDED IRAN SANCTIONS: IMPACT ON US EXPORTS TO INDONESIA
AND US JOBS

¶1. The Iran Refined Petroleum Sanctions Act of 2009 (HR2194 and S2799), if it becomes law in its current form, would have potentially disastrous effects on our ability to export U.S. goods to Indonesia. The proposed Act stipulates that any entity that provides substantial support to the Iranian petroleum industry or provides refined petroleum products to Iran would be subject to sanctions, including the prohibition of ExIm financing. Pertamina, a state-owned enterprise (SOE), may be involved in such activities. A very narrow reading of the legislation could mean that all state-owned enterprises would be affected. This could have a serious impact on financing available to Indonesian SOEs, jeopardizing both U.S. jobs and hundreds of millions of dollars in U.S. exports, including a \$120 million Presidential jet. SOEs account for an estimated 40% of the Indonesian economy and an enormous share of U.S exports to Indonesia. If we forfeit the level playing field ExIm provides, we cede this market to our foreign competition.

¶2. In Indonesia, ExIm has been key in securing high-value U.S. exports of Boeing airplanes and Bell helicopters. ExIm financing has made possible an estimated \$400 million in Boeing sales to state-owned carrier Garuda in recent years. A pending ExIm-financed deal for a Presidential jet is worth \$120 million to Boeing and Northrop Grumman. Real sales opportunities also exist here for U.S. air-traffic control systems and security equipment as well as military aviation equipment and services.

¶3. Indonesia is also a huge market for GE and EMD locomotives. One pending deal for 150 locomotives with PT Kereta-Api (PTKA), the state owned railway, has the potential to create 500 new US jobs. The possibility of ExIm financing is a major factor for the U.S. companies bidding on this deal.

¶4. ExIm financing allows U.S. vendors to effectively compete against Chinese, Korean and European companies who often have access to government financing at rates well below those commercially available. We have enjoyed a competitive advantage in Indonesia in recent years, but absent ExIm support, foreign competitors will step in to fill the void.

OSIUS

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